

16.03: Authority of Investment Managers to Invest Funds

- (1) Every board which has received an exemption pursuant to 840 CMR 19.00 shall by vote authorize a qualified investment manager as defined in 840 CMR 16.01 to invest and reinvest the funds of the system on behalf of the board in accordance with the board's statement of investment objectives.
- (2) Every investment made by a qualified investment manager on behalf of a board shall comply with the requirements of M.G.L. c. 32, § 23 and 840 CMR 16.00 through 25.00.

16.04: Use of Custodian Banks; Nominees; Securities Depository

- (1) Every board shall designate one or more banks or trust companies, organized under the laws of the Commonwealth or of the United States, custodian of the securities and assets of the system, and shall designate as members of any nominee holding securities of the system any authorized employee of such custodian. All assets of the system shall be held by the custodian on behalf of the board. Each board shall direct its custodian to provide the Commission with the reports and information required pursuant to 840 CMR 4.00 and if possible, said reports and information shall be provided by electronic means or electronic access granted to the Commission.
- (2) Any board may authorize a custodian designated pursuant to 840 CMR 16.04(1) to place the securities of the system in a securities depository registered with the Securities and Exchange Commission for the purpose of facilitating security trading and certificate delivery.
- (3) In the event a board changes its custodian it shall make every effort to effectuate that change as of January 1.

16.05: Use of Brokers

- (1) Retirement system board members and employees shall not:
 - (a) direct brokerage commissions for services, or
 - (b) instruct its qualified investment manager or managers to direct brokerage commissions.
- (2) Selection of brokers shall be based on competitive criteria including best price and execution.
- (3) Commission rates shall be negotiated.
- (4) Board members shall review on an on-going basis all brokerage costs.

(5) Board members shall review on an on-going basis the selection of brokers and use of "soft dollars" (arrangements under which products or services other than execution of securities transactions are obtained from or through a broker in exchange for the direction of brokerage transactions to the broker) by its qualified investment manager or managers.

(6) Board members shall require the qualified investment manager or managers or brokers to disclose in writing to the board all commissions charged on all transactions and investments made.

(7) Board members shall require the qualified investment manager or managers or brokers to disclose in writing to the board mark-ups and mark-downs on all trades where the broker acted as dealer/principal.

(8) Notwithstanding the provisions of 840 CMR 16.00 boards may participate in so-called "commission recapture" programs provided that such participation is consistent with the board's fiduciary duty and other provisions of 840 CMR.